

State of Idaho

Legislative Services Office

Management Report

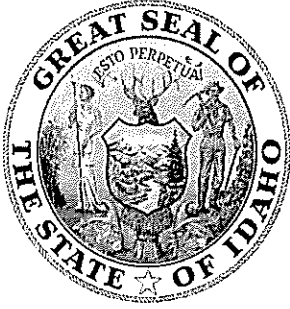
A communication to the Joint Finance-Appropriations Committee

OFFICE OF THE SECRETARY OF STATE IDAHO CODE COMMISSION COMMISSION ON UNIFORM LAWS

FY 2008, 2009, AND 2010

Report MR13010
Date Issued: October 7, 2011

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

OFFICE OF THE SECRETARY OF STATE IDAHO CODE COMMISSION COMMISSION ON UNIFORM LAWS

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Office of the Secretary of State covering the fiscal years ended June 30, 2008, 2009, and 2010. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Office.

FINDINGS AND RECOMMENDATIONS

There are two findings and recommendations in this report.

Finding 1 – Travel costs are not consistently documented as required by Idaho Code and State travel policies.

Finding 2 – Internal control weaknesses exist in federal grant accounting and program compliance.

The complete findings are detailed on pages 1 and 2 of this report.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

AGENCY RESPONSE

The Office has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY – The following financial data is for informational purposes only.

OFFICE OF THE SECRETARY OF STATE – FINANCIAL SUMMARY FISCAL YEAR 2010

Secretary of State (Agency 130)

Fund Number	Fund	Beginning Cash/ Investments	Plus Receipts	Plus Net Transfers	Less Disbursements	Ending Cash/ Investments
0001	General Fund	\$1,870,800	\$0	\$0	\$1,823,450	\$47,350 *
0120-04	Consolidated Elections Fund	1,500,000	0	0	26,129	1,473,871
0150-01	Budget Stabilization	0	0	0	0	0
0348-27	Democracy Fund	5,401,009	1,104,648	0	1,197,481	5,308,176 **
0349-33	Health Care Directive Registry Fund	45,122	491	0	2,276	43,337
	Totals	\$8,816,931	\$1,105,139	\$0	\$3,049,336	\$6,872,734

Commission on Uniform Laws (Agency 131)

Fund Number	Fund	Beginning Cash/ Investments	Plus Receipts	Plus Net Transfers	Less Disbursements	Ending Cash/ Investments
0001	General Fund	\$36,000	\$0	\$0	\$36,000	\$0

Idaho Code Commission (Agency 133)

Fund Number	Fund	Beginning Cash/ Investments	Plus Receipts	Plus Net Transfers	Less Disbursements	Ending Cash/ Investments
0349	Miscellaneous Revenue Fund	\$818,898	\$765,694	(\$296,048)	\$390,317	\$898,227

*The remaining General Fund Appropriation at fiscal year end was reverted to the State General Fund.

**The \$5.3 million ending cash balance in this fund represents a cash advance and interest earned for the Help America Vote grant.

OTHER INFORMATION

We discussed other issues which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, the Office of the Secretary of State, the Idaho Code Commission, and the Commission on Uniform Laws and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the Secretary of State, Ben Ysursa, and his staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor
J.E. Bowden, CPA, CFE, In-charge Auditor
Brian Butkus, Staff Auditor

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FINDINGS AND RECOMMENDATIONS

FINDING 1 – Travel costs are not consistently documented as required by Idaho Code and State travel policies.

Idaho Code, Sections 67-2005 and 67-2006, require all travelers to complete and sign a voucher certifying that travel costs were necessary and appropriate. State travel policies also require each agency to maintain complete records and supporting documentation for all travel costs on forms prescribed by the State Controller's Office. If travel costs are paid by direct billing or with a purchasing card (p-card), a complete accounting of these costs is required on the travel voucher form and all appropriate receipts and invoices must be attached.

Travel costs of the Office are not consistently documented as required, and evidence is not readily available to verify that all travel costs incurred were properly accounted for and complete, or that established limits and other requirements were met. Travel costs are also not properly documented by the Idaho Code Commission and Commission on Uniform Laws, which have their travel costs processed by staff of the Office of the Secretary of State.

Recommendation

We recommend that the Office document travel costs as required by Idaho Code and State travel policies.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The Office concurs with the finding that it has been inconsistent in its travel documentation and has already implemented, and will continue to follow recommended procedures. The Office would note however, that there is absolutely no indication that there were any travel expense irregularities in this or any previous audit of my office.

FINDING 2 – Internal control weaknesses exist in federal grant accounting and program compliance.

Federal regulations (OMB *Circulars A-87* and *A-133*) establish program compliance, accounting, and reporting requirements for all grant programs. The Office manages several grant programs and disbursed federal funds during the review period as follows:

FY08	\$2,136,303
FY09	1,714,852
FY10	1,197,481

Although the internal control structure over financial transactions is good, our limited review identified weaknesses in the controls over federal compliance and reporting that allowed the following conditions to occur:

- Costs charged to federal grants are not properly allocated or supported.
- Grant information is not provided to sub-recipients as required.
- Equipment purchased with federal funds is not properly identified or monitored.
- No procedures exist to ensure that suspended and debarred vendors are not used.
- Federal financial reports are not supported by the accounting records.

The scope of our review was not intended to evaluate federal compliance and a focused audit scope could identify additional instances of non-compliance or other conditions related to grant programs managed by the Office.

Recommendation

We recommend that the Office develop internal controls and procedures to comply with federal accounting and grant reporting requirements contained in federal regulations.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The Office welcomes the comments pertaining to the proper accounting of the Help America Vote Act funds. This is the first time the Office has been in receipt of federal funds. The acceptance of federal funds certainly carries with it some very stringent reporting requirements and we appreciate any recommendations to help comply with the federal requirements.

The Election Assistance Commission, who administers the Help America Vote Act funding and programs has provided very little, and sometimes inconsistent direction in accounting for the funds. We look forward to working with the legislative auditors and the Office of the State Controller to make necessary changes that will allow us to report these federal funds properly. Although the various counties who have received funds from our Office were told of the federal requirements for accepting funds, our Office is now working more closely with them to ensure that they will be able to comply with their responsibilities as federal sub-grantees.

AGENCY RESPONSE



STATE OF IDAHO
OFFICE OF THE SECRETARY OF STATE
BEN YSURSA

September 19, 2011

Don H. Berg, Manager
Legislative Audits Division
Idaho Legislative Services Office
Statehouse
Boise, Idaho 83720

RE: Audit Report

Dear Mr. Berg,

I concur with the finding that my office has been inconsistent in our travel documentation and I have already implemented and will continue to follow recommended procedures. I would note however, that there is absolutely no indication that there were any travel expense irregularities in this or any previous audit of my office.

I welcome the comments pertaining to the proper accounting of the Help America Vote Act funds. This is the first time our office has been in receipt of federal funds. The acceptance of federal funds certainly carries with it some very stringent reporting requirements and this office appreciates any recommendations to help us comply with the federal requirements.

The Election Assistance Commission, who administers the Help America Vote Act funding and programs has provided very little, and sometimes inconsistent direction in accounting for the funds. We look forward to working with you and the Office of the Controller to make necessary changes that will allow us to report these federal funds properly. Although the various counties who have received funds from our office were told of the federal requirements of accepting funds, our office is now working more closely with them to ensure that they will be able to comply with their responsibilities as federal sub-grantees.

I appreciate the professionalism your staff exhibited in the conduct of the audit.

Sincerely,

A handwritten signature in black ink that reads "Ben Ysursa". The signature is written in a cursive, flowing style.

BEN YSURSA
Secretary of State

BY/bek

APPENDIX

HISTORY

During Idaho's territorial period (1863-1890), the functioning Secretary of State was the Secretary of the Territory, appointed by the President of the United States. A large amount of executive authority was vested in the Secretary. In addition to the duties as official secretary and record keeper, the Secretary also handled territorial funds and served as Governor when the Governor was absent. When Idaho gained statehood in 1890, the Office of the Secretary of State was one of the elective offices provided for in the Idaho Constitution. J.J. Pinkham was the first elected Secretary of State and served for two years.

Beginning with the 1947 term, the elected term of office was increased from two to four years. Ben Ysursa, the current Secretary of State, took office on January 6, 2003.

ORGANIZATION

As illustrated by the organizational chart at the end of this report, the Office is divided into five general divisions: Legislative and Executive Affairs, Commercial Affairs, Elections, Fiscal, and Information Technology.

Reorganization of State government placed record keeping responsibilities for the Idaho Code Commission and the Commission on Uniform Laws under the Office of the Secretary of State. Each of these commissions retains their own organizational structure, which operates independently from the Secretary of State's Office, except for budgetary purposes.

The Commission on Uniform Laws consists of four members of the Idaho State Bar appointed by the Governor to a four-year term. The current commissioners are Rex Blackburn, Mike Brassey, Bart Davis, and Dale Higer.

The Idaho Code Commission consists of three members of the Idaho State Bar who are actively engaged in the practice of law and not holders of any other compensated State office or position. The commissioners are appointed to a six-year term by the Governor from a list submitted by the Board of the Idaho State Bar. The current commissioners are Daniel Bowen, Rick Goodson, and Jeremy Pisca. Max M. Sheils, Jr. serves as the executive secretary of the Commission. The Secretary of State is the permanent secretary of the Commission.

STATUTORY AUTHORITY

Secretary of State

Article IV of the Idaho Constitution states that the Secretary of State shall be a member of the executive department. It further provides that the office shall be elective and the length of term will be four years. Both the Idaho Constitution and Idaho law imply that the Secretary of State may have a staff to help carry out the assigned duties and responsibilities.

The Commission on Uniform Laws

In 1919, the Commission on Uniform Laws was created by the Idaho Legislature. The Act establishing the Commission is codified in Idaho Code, Title 67, Chapter 17.

The Idaho Code Commission

The Idaho Code Commission was created in 1949 by the Idaho Legislature. The Act establishing the Commission is codified as Idaho Code, Title 73, Chapter 2.

PURPOSE

Secretary of State

The purpose of the Office of the Secretary of State is to carry out the many duties and responsibilities assigned by the Idaho Constitution and Idaho law. The Constitution specifically makes the Secretary of State the custodian of the State seal and provides that the Secretary must countersign all grants and permissions. Furthermore, it makes the Secretary of State a member of both the State Land Board and the State Board of Examiners. The Secretary is also a permanent member of the State Board of Canvassers.

In addition to its constitutional duties, Idaho law gives the office other duties and responsibilities. In general, the Secretary of State is the official record keeper of the State, which includes responsibilities for filing, recording, attesting, certifying, and printing certain documents.

Idaho Code, Section 34-201 designates the Secretary of State as the State's chief election officer, with the responsibility to obtain and maintain uniformity in the application, operation, and interpretation of election laws.

The Secretary of State is charged with implementing the federal Help America Vote Act of 2002, dealing with election reform, including management of the "Democracy Fund" established by Idaho Code, Section 67-916. The Democracy Fund was created to provide funding to improve election systems and procedures as required by the Help America Vote Act of 2002. The fund consists of money received from the federal government, the State legislature, and various Idaho counties, and has been continuously appropriated to the Secretary of State's Office for the purpose of paying the expenses to carry out the activities of the act. (Idaho Code, Section 67-916.)

The Commercial Division of the Office of the Secretary of State is responsible for filing and reporting several different types of lien notices on personal property. Under Article 9 of the UCC (Idaho Code, Title 28, Chapter 9), a creditor may file a financing statement to perfect a security interest in collateral in the possession of a debtor. Pursuant to implementing State legislation, a creditor may file a financing statement under the Federal Food Security Act of 1985 to perfect a security interest in the farm products produced by a debtor. Federal agencies, such as the Internal Revenue Service, may file notices of lien in the personal property of corporations and partnerships under the Uniform Federal Lien Registration Act (Idaho Code, Title 45, Chapter 2). Since January 1, 1990, seed suppliers and farm laborers have been able to file notices of liens in crops pursuant to Idaho Code, Title 45, Chapter 3. The Division reports all types of financing statements or notices of lien in response to statutory requests for information. The Division also publishes and distributes to registrants lists of financing statements and notices of liens in crops. State agencies and counties may also file liens for child support, taxes, and medical indigent payment.

The Commercial Division files organizational documents for domestic corporations, limited liability companies, limited partnerships, limited liability partnerships, and applications for certificate of authority for foreign corporations, as well as certain other related documents. All active entities must file an annual report with the Division between July and November each year. The Division responds to massive numbers of requests for information by phone, online, mail, and in-person visits. The Division also files assumed business names. Businesses organized in other states and countries that transact business in Idaho also file with the Division.

The administrative secretary processes applications for trademarks and service marks under Idaho Code, Title 48, Chapter 5. The administrative secretary also issues commissions for notaries public under Idaho Code, Title 51, Chapter 1 and responds to numerous inquiries regarding both functions.

The Secretary of State administers and enforces the Sunshine Initiative Act. This Act provides for lobbyists' registration and reporting requirements, as well as campaign disclosure reporting requirements.

The Secretary of State is charged with many other miscellaneous duties and responsibilities, most of which are related to record keeping.

OFFICE OF THE SECRETARY OF STATE

